PCI

Solving the Uninsured Motorist Problem

Michigan House Insurance Committee
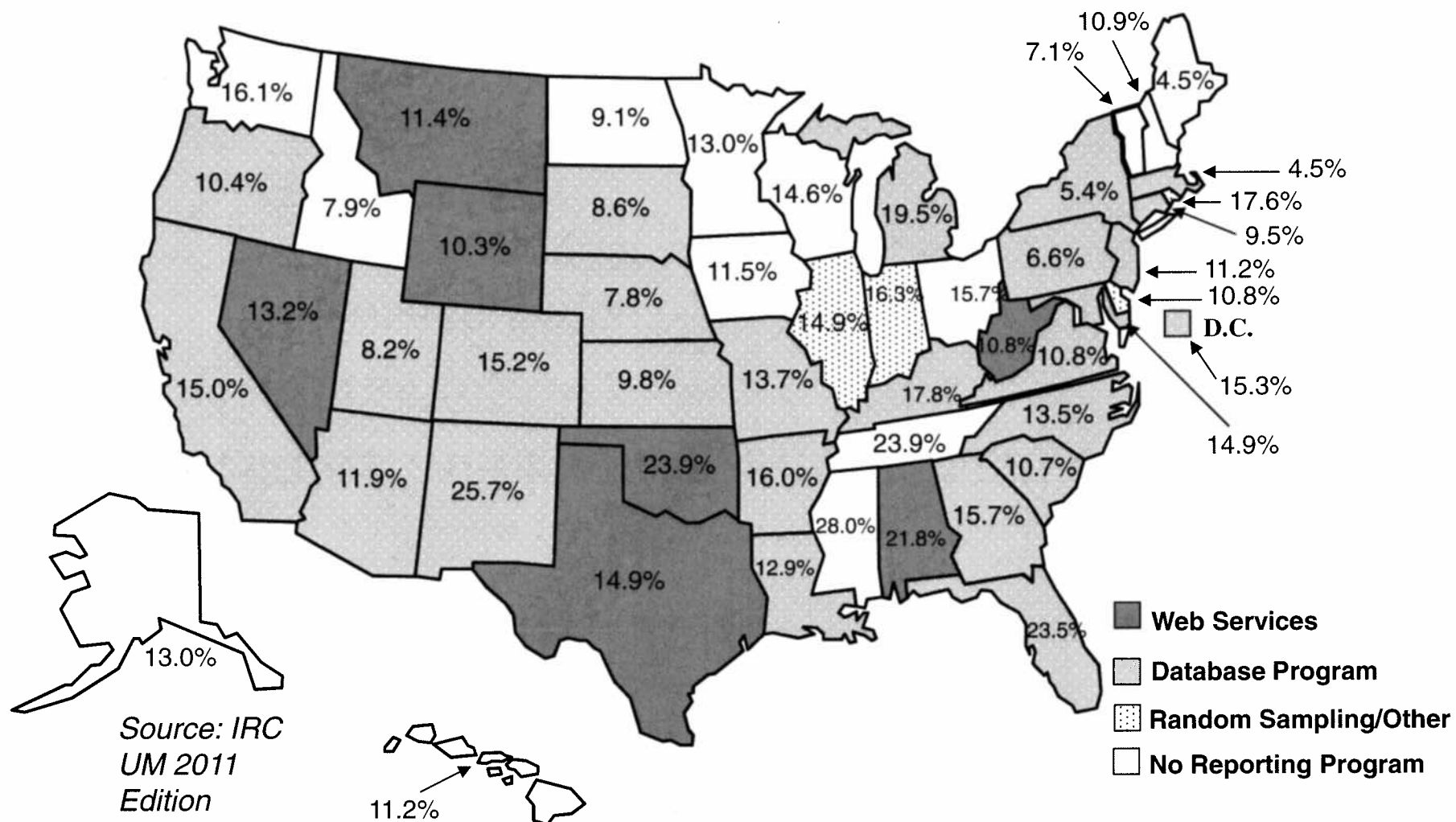Lansing, MI
February 27, 2014

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Uninsured Motorists

- 47 States Compel Auto Insurance
  - New Hampshire is Live Free or Die
  - Tennessee is secondary violation
  - Virginia allows motorists to pay $500/yr
- Despite Laws, IRC Estimates Approx. 14% of Motorists Nationwide Lack Insurance
- How Do States Enforce Requirement?

UM Rate & Reporting Program Type

Source: IRC UM 2011 Edition

Legend:
- ■ Web Services
- ▨ Database Program
- ▦ Random Sampling/Other
- ☐ No Reporting Program

What Are The Results?

- States with Highest and Lowest UM #s Have Databases
  - Massachusetts, New York and Pennsylvania are in Top 5 Lowest UM states; all have database programs
  - Florida, New Mexico and Oklahoma are in Top 5 Highest UM states; all have database programs
  - Majority of states with above average UM rates have database programs

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The Problem with Databases

- Dated Data
- Reconciling Discrepancies Between State and Insurer Data Drain Resources
- No Proof Database Programs Actually Reduce UM Rates
  - Most of the states with above average UM rates have database programs

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Alternatives

- Increased Enforcement Efforts
  - Mandatory fees that cannot be reduced
  - Increased law enforcement at courthouses
- Indiana Previously Uninsured Motorist Registry
  - Targets those previously cited and/or convicted of driving without insurance
  - Subjects them to random verification requests over 5 years

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Alternatives cont.

- No Pay No Play Legislation
  - Prohibits uninsured motorists from suing insured motorists to collect non-economic (i.e., pain and suffering) damages
  - Missouri became 11th state to adopt in October
  - IRC report concludes NP/NP legislation results in statistically significant drop in UM rate

OLV
ON LINE (Auto Insurance)
VERIFICATION

Presentation

February 2014

iicmva **Insurance Industry Committee**
on Motor Vehicle Administration

ON LINE VERIFICATION - OLV

❖ **What is *OLV*?**

- ◆ Electronically verifies evidence of insurance (Auto ID Card) presented by the vehicle owner or operator
- ◆ Web-based service established by insurance carriers
- ◆ Real-time inquiry and responses in seconds
- ◆ OLV Service available 24/7
- ◆ More accurate than database systems

❖ ***OLV* does not...**

- ◆ Identify specific policy limits
- ◆ Transmit personally identifiable information
- ◆ Confirm coverage of a claim or substitute for an insurance company's claims handling function

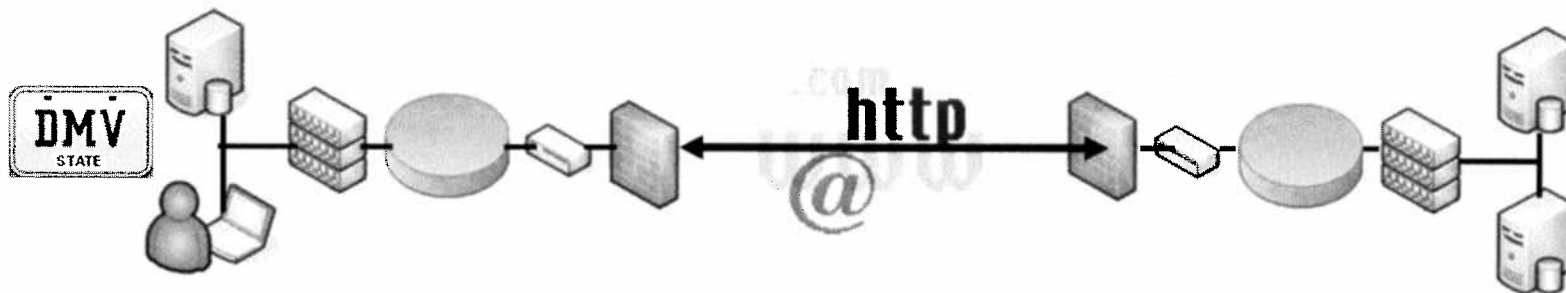**iicmva** **Insurance Industry Committee on Motor Vehicle Administration**

OLV – How it works

❖ State Laws mandate Insurance Companies provide evidence of insurance (Auto ID Card)

❖ The vehicle owner or operator presents evidence identifying:
- ◆ Insurance Company
- ◆ Policy Key (Policy Number)
- ◆ VIN
- ◆ Effective Date (s)

❖ The Jurisdiction prepares and sends the inquiry to the Insurance Company
- ◆ NAIC Number (used for routing)
- ◆ Policy Key
- ◆ VIN
- ◆ Coverage Verification Date (current date)

❖ Insurance Company responds: *Confirmed* or *Unconfirmed*
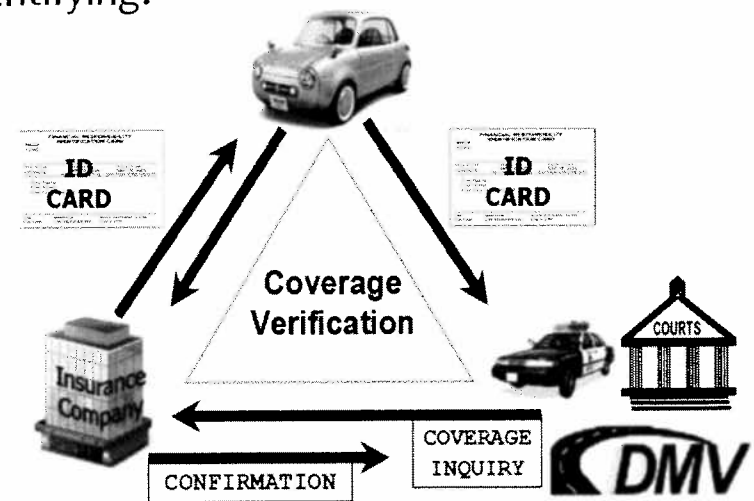
OLV – How it works

❖ **When to Verify**

- ◆ New Vehicle Registration
- ◆ Registration Renewal
- ◆ Emission/Safety Inspections

- ◆ Traffic Stop / Accident Scene Investigation
- ◆ Court Proceedings

❖ **Required Data Elements**

- ◆ NAIC Number
- ◆ Policy Key (Policy Number)*
- ◆ VIN
- ◆ Verification Date

❖ **Response**

- ◆ Confirmed
- ◆ Unconfirmed

* "UNKNOWN" may be substituted

OLV - Response

❖ **Confirmed**

   ◆ Minimum financial responsibility insurance was present and the policy was active on the requested verification date

❖ **Unconfirmed**

   ◆ System Validation Failed – Request Invalid
   ◆ Minimum financial responsibility insurance was <u>not</u> present and/or the policy was <u>not</u> active on the requested verification date

UCR – Optional Reason Codes

❖ **System Validation Failed – Request Invalid**

- Incorrect Data Format
- Policy Key Not Submitted
- NAIC Code Not Submitted
- VIN Not Submitted
- Verification Date Not Submitted
- Unauthorized Requestor
- System Unavailable

❖ **Unconfirmed decision**

- System Cannot Locate Policy Key Information
- System Found Policy Key – Coverage on Verification Date Cannot Be Confirmed
- System Found Policy Key – VIN Cannot Be Verified
- System Found VIN – Policy Key Cannot Be Verified
- System Cannot Locate Policy Information - Manual Search in Progress

- *Coverage on Verification Date Cannot Be Confirmed**
- *System Cannot Locate VIN**
- *System Found VIN – Coverage on Verification Date Cannot Be Confirmed**
- *System Cannot Locate NAIC**

*Available in later schema versions

Who uses *OLV* ?

Primary:
Alabama; Montana; Nevada; Oklahoma; Texas (hybrid); West Virginia; Wyoming.
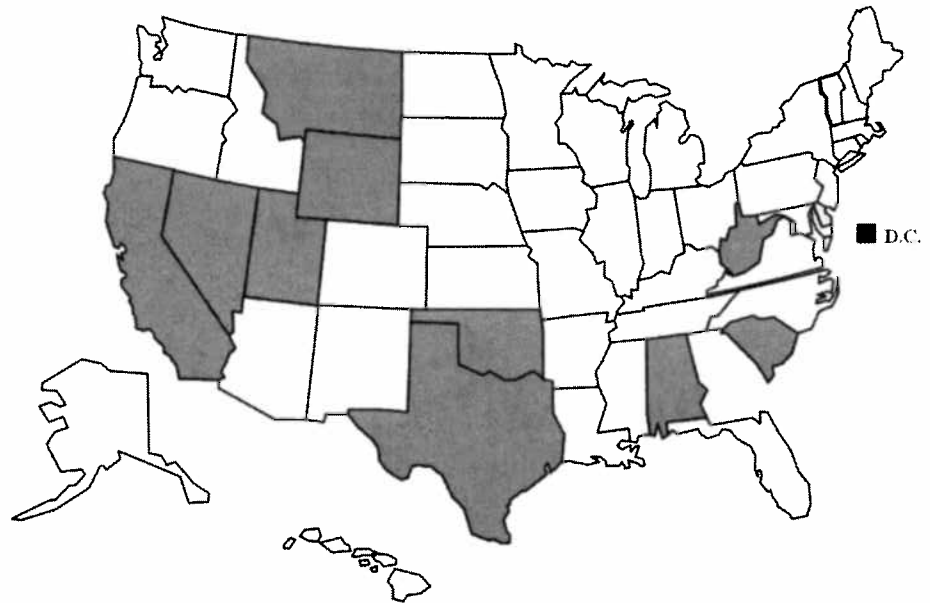
Secondary:
California; South Carolina; Utah (pilot); Washington, D.C.

Misc.:
CT – Testing (Commercial Only)
ID – 2012 Law On Hold
MS – 2012 Law On Hold

FL – Testing complete, implementation TBD
NM – Testing complete, implementation TBD
TX – Testing complete, implementation TBD
UT – Testing complete, implementation TBD

Why use *OLV* ?

❖ **Business Benefits**

 ◆ Carrier's business decision to confirm coverage (not state matching process)
 ◆ Standardized approach to verification
 ◆ Better Customer Service
 ◆ Reduces Manual Processing
 ◆ Eliminates the delay associated with database reporting
 ◆ Deters the use of fraudulent ID Cards

❖ **Customer**

 ◆ More reliable verification
 ◆ Personal Information not exchanged

❖ **IT Benefits & Cost Savings**

 ◆ Only Appropriate Requestors can use
 ◆ Secure & Encrypted request & response
 ◆ Services is real-time, available 24/7
 ◆ Scalable & Portable
 ◆ Interoperability (machine to machine)
 ◆ Based on Industry accepted standards

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Insurance Industry Committee on Motor Vehicle Administration

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